

1996 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE MASSACHUSETTS ECONOMY

The importance of small business to the state of Massachusetts is once again evident in the 1996 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy.

Of the **131,812** full-time business firms with employees in Massachusetts, 98.1 percent are small businesses (independent businesses with fewer than 500 workers). In addition to the number of employer businesses, there were also **231,000** full-time self-employed persons in Massachusetts in 1995, for a total estimated full-time business population of **362,812** firms.

Small Business Income - The income of sole proprietors and partners rose **8.0** percent to **\$12.2** billion in 1995, while wage-and-salary income rose **6.6** percent. Total personal income rose **5.7** percent to **\$167.6** billion. The state also exported **\$12.9** billion of goods and services in 1995.

Massachusetts's number of women-owned businesses, including part-time firms, increased **32.5** percent from 1987 to 1992, totaling **147,572**. The number of Black-owned firms, including part-time firms, increased **51.8** percent from 1987 to 1992, totaling **7,225** in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 162.3 percent during the same time period with 6,914 firms in 1992. There has also been

a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaska Natives. The number for the group grew from **3,916** in 1987, to **7,009** in 1992, representing a **79.0** percent increase.

Small businesses with fewer than 20 employees reported **7.2** percent employment growth from 1991 to 1995. These numbers clearly reflect the importance of small business firms as job creators in the state of Massachusetts.

The composition of small business in Massachusetts is very diverse. The **Health Services** industry is the largest small business employer in Massachusetts. Other significant small business industries are, in descending order: Eating and Drinking Places, Business Services, Social Services, Wholesale Trade - Durable Goods. The fast-growing industries include Instruments and Related Products, General Merchandise Stores, Social Services, Educational Services, and Apparel and Other Textile Products.

The number of new firms declined **0.8** percent, but new business incorporations increased by 4.2 percent. Business bankruptcies declined by **14.2** percent and business failures decreased by **8.0** percent.

An SBA Office of Advocacy study found that Massachusetts's top lenders to small businesses in 1996 were:

- National Bank of Fairhaven
- Bank of Western Massachusetts
- Park West Bank & Trust Corporation
- Enterprise Bank & Trust Corporation
- Milford National Bank & Trust Corporation
- Cape Cod Bank & Trust Corporation
- Rockland Trust Corporation
- Fleet National Bank

In sum, small businesses have a striking impact on Massachusetts's economy. Not only do they play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1993, the latest year available, and was prepared for the Office of Advocacy, U.S. Small Business Administration by the Bureau of the Census, U.S. Department of Commerce.

The first table lists the industries that were the top five employers in the state, without regard to the size of the firm that provided the jobs. The next to last column in the table shows the percentage of persons employed in firms with fewer than 500 employees (small businesses) in those industries.

The second table lists the industries that employ the most people in firms with fewer than 500 employees. These are the top small business employing industries in the state. The "percent of total" column provides the percentage of total employment in the state accounted for by each of the industries listed.

The third table lists--for the 1991-1993 period--the fastest growing small business industries in the state. As many as five industries are shown. If fewer than 5 industries are shown, it is because 1991-1993 was a recessionary period in which there was little national employment growth. The industries listed represent those in which small businesses sustained the economy during a period of little aggregate employment growth.

Top Five Industries in Massachusetts by Employment, 1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	PERCENT SMALL	RANK
Health Services	347,172		13.3	37.1
1 Business Services	178,448	6.8	51.3	2
Eating & Drinking Places	165,907	6.3	69.5	3
Educational Services	140,593	5.4	24.4	4
Engineering & Management	104,748	4.0	56.0	5
TOTAL, ALL INDUSTRIES	2,617,209	100.0	50.6	

Top 5 Small-Business-Dominated Industries in Massachusetts by
Employment, 1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	RANK
Health Services	128,769	9.7	1
Eating & Drinking Places	115,223	8.7	2
Business Services	91,560	6.9	3
Social Services	63,728	4.8	4
Wholesale Trade-durable Goods	62,544	4.7	5
TOTAL, SMALL-BUSINESS-DOMINATED INDUSTRIES	1,324,302	100.0	

Fastest Growing Industries for Small Business in Massachusetts, 1991 - 1993

INDUSTRY	SMALL BUSINESS EMPLOYMENT IN		PERCENT CHANGE, 1991-1993	RANK
	1991	1993		
Business Services	82,636	91,560	10.8	1
Educational Services	32,178	34,278	6.5	2
Engineering & Management	55,794	58,708	5.2	3
Health Services	122,595	128,769	5.0	4
Social Services	61,046	63,728	4.4	5

Office of Advocacy, U.S. Small Business Administration. Based upon Census data,
prepared under contract.